# Working Paper #3 National Perspective: Organizational and Administrative Structures

This working paper is intended to provide concise baseline information on the alternative organizational models for toll road implementation, highlighting the financial, operational, and policy-setting functions that must be addressed in developing new tolling entities. The paper also will address the toll organization's relationship to Department of Transportations (DOTs) with respect to issues, such as outsourcing, budgeting, administrative responsibilities, and jurisdictional boundaries. The paper draws on and presents the experiences in other states and local jurisdictions in establishing new or enhanced tolling organizations. While the emphasis of the paper is on state-level initiatives, it provides an overview that includes state, local, and private toll organization structures being used in the United States.

## Overview of Tolling Practices in the United States

Many state and local governments rely on user tolls as a supplement to motor fuel taxes for funding transportation infrastructure construction and operations. The manner in which tolls are applied reflects historical trends, state and local legislative requirements, and policy priorities within individual states and local jurisdictions. This section provides an overview of the range of state- and local-level approaches currently in use across the United States for tolling highways, bridges, and tunnel facilities. While the examples presented in this section capture significant examples of the practices found throughout the United States, they are not all-inclusive. Moreover, the complexity and variations found among institutional arrangements prevents a total categorization of some organizations into a specific type.

## Historical Perspective on Tolling Practices

Throughout the 1930s, states followed the Federal lead in using tolls to finance only very special and high-cost and otherwise very special links, mainly tunnels and bridges. In the 1940s and 1950s, prior to the interstate construction era, many eastern states adopted tolling as a primary means for developing major state "turnpikes," while western states

used gas tax revenues to develop "freeways." Development of tolled highways stagnated, however, following passage of the 1956 Federal-Aid Highway Act, which began development of the Interstate system supported by Federal gas tax revenues.

Interest in tolling as an alternative mechanism for funding transportation infrastructure reemerged in the 1980s and 1990s as states faced growing budgetary and congestion pressures. This was particularly true in rapidly growing urban and suburban areas. In addition, there exists substantial public pressure not to increase fuel taxes.

Tolled facilities can also support efforts in the area of urban traffic management, as witnessed by the increasing interest in high-occupancy toll (HOT) lanes and variable pricing on bridges. The "managed lanes" concept is intended to provide the optimum level of traffic service to the users, along with providing financial support to payment of the project's construction and operational expenses. In effect, the level of service of the managed lanes is controlled by the level of toll imposed on the user.

Despite previous limitations on the use of Federal funds to construct and operate tolled highways, state and local jurisdictions have experimented with a broad variety of alternative mechanisms for financing their road networks. Thus, tolling practices vary considerably from state to state. However, with the passage of SAFETEA-LU in 2005, there is continued support for potential tolling of Federal facilities and the integration of Federal funds with toll revenues.

# Current Practices

What has been the response to the interest in tolling? The response has taken shape through several actions, including:

- **Legislation –** Adopting policies that promote the use of tolling as a revenue source and traffic management tool, and establishing efficient organizational models for implementing policy directives.

- **Finance –** Expanding finance opportunities for all levels of agencies – Federal, state, regional, and local – to participate in meeting the mobility needs of the users.

- **Technology –** Advancing the use of express toll lanes and open road tolling concepts through an integrated electronic payment system, often with the result of changes in organizational approaches to include additional outsourcing and collaborative operations plans. However, the issue of governance has not reflected the influence from technology as readily.

- **Risk sharing –** Creating opportunities for public-private partnerships that promote risk sharing between public and private sector groups most qualified to address various risk factors and deliver transportation systems faster and more efficiently.

A review of practices within the U.S. toll industry identified current trends with regard to how the above responses shape organizational practices. The following subsections highlight these trends.

## Organizational Approaches

The U.S. toll industry can be segmented into broad organizational categories as described below.

- **Statewide Turnpike Authorities (Independent and DOT-Sponsored State-Level Organizations) –** Statewide turnpike authorities can be separate entities from the state DOT, as is the case in Pennsylvania, Georgia, and North Carolina; or they can be departments within a state DOT, as in Texas and Florida. Statewide authorities and enterprises can often leverage their revenue stream to provide statewide service. Toll revenues collected in portions of the system with higher use can be utilized to improve or construct new facilities in areas where the early revenues do not meet project-specific debt service requirements.

- **Regional Toll Authorities (Regional- and Local-Level Independent) –** Strong local and regional support for meeting regional needs is the bases for regional toll authorities. These authorities may consist of a single county or entity, several jurisdictions, or a semiautonomous board with specific geographic boundaries. Regional authorities are focused on the regional system and promote projects that benefit the region. Texas, Florida, and Colorado allow regional or local agencies to be developed. In Texas, regional or local toll agencies can be created within a county as in the case of the Harris County Toll Road Authority in the Houston area, or for a region of the state as with the Central Texas Regional Mobility Authority in the Austin area, or as a regional agency outside a county government structure as in the case of the North Texas Toll Authority. Florida also has provisions for local and regional toll road organizational approaches.

- **Public-Private –** The need for additional funding partners has facilitated an acceptance of public-private toll road initiatives in some states. While the model varies by state, the intended result is to involve private sector participation in various forms for the advancement of projects that can be paid for over time by a dedicated revenue stream such as toll collections. The final ownership model also may vary by location and the financial plan submitted by the private partner/developer; however, even privately owned and operated facilities must conform to public standards to ensure the safety of the traveling public. Today, we see public-private partnerships being pursued with greater acceptance by many states and their long-term potential to be a strong component within a State transportation system appears promising.

The public-private partnership approach may require a change in existing toll organization structure in order to proactively oversee public-private partnership activities. The Virginia Department of Transportation, while not a traditional tolling agency, has

created special divisions within the Department to address this need. Likewise, the Texas Department of Transportation has recognized the need for specialized expertise on its "side of the table" when negotiating public-private partnerships. Existing toll-only organizations may not need any changes if adequate expertise exists in the form of internal or outsource staffing.

## Examples of Legislation and Organizational Approaches

As examples of the above three broad categories of toll organizational structures, recent legislation has been passed to address the renewed interest in using tolls to finance needed transportation improvements and increase the options available to agencies for the implementation of tolling solutions. Legislative actions involving tolling opportunities also determine the organizational structures to be enacted.

These recent legislative actions have shown the strong interest in establishing state-level tolling agencies as well as local/regional agencies. A summary of selected recent legislative actions include:

- **Colorado –** Established a statewide tolling enterprise to focus on urban transportation needs. The distinction between an "enterprise" and an "authority" is largely in how the individual states recognize a revenue-generating operation. However, in some cases, it is meant to promote a more business-like approach. The Colorado Tolling Enterprise (CTE) is a DOT-Sponsored agency – the Director of CTE is an existing director-level employee of the Colorado DOT.

- **North Carolina –** Established a state turnpike authority to address transportation needs in both large urban and smaller urban areas. The NC Turnpike Authority is an independent authority with nine board members appointed by the Governor, President of the State Senate and Speaker of the State House.

- **Texas –** Passed a broad transportation bill (HB 3588) in 2003 that provides for the organization of regional mobility authorities (RMA), empowers state DOT Districts to analyze and institute toll roads, establishes a mobility fund to serve as project start-up funding, allows for public-private project development agreements, and established a cross-state corridor for multi-purposes. HB 3588 has added capabilities to existing toll organizations within the state, such as the ability to utilize public-private partnerships.

- **Florida –** Empowered the long-standing Florida's Turnpike, a District within Florida's Department of Transportation, to organize and operate more like a business enterprise, reorganizing into the Florida Turnpike Enterprise (FTE). This move was aimed at allowing the FTE more business-like freedoms of operation, such as: a reduction in project development and delivery schedules through increased completion of tasks in parallel; opportunities to enhance non-toll revenue streams through development of property along the Turnpike; greater focus on customer service; and the flexibility to enter into business relationships with

other toll agencies. These can be undertaken while still being organizationally associated with the Florida Department of Transportation.

- **Georgia –** Broadened the powers of a State Road and Tollway Authority (SRTA) to expand its financial authority; and, under separate legislation, established a public-private initiative law that allows for unsolicited proposals to be received and considered by the state. The SRTA is a state-level independent authority.

- **Virginia –** Has been a leader in the development of legislation encouraging the involvement of private ventures into the public transportation arena. Virginia has a fully private toll road operating in the state, the Dulles Greenway, and one public-private toll road, the Pocahontas Parkway (Route 895), the latter being a nonprofit corporation established specifically to develop the Pocahontas Parkway project.

# Case Studies

A review of toll and turnpike actions taken during the past few years in Texas, Florida, and Virginia helps to define the current changes being undertaken in U.S. toll industry. The following summary of those case studies is representative of actions being taken in the United States to address the provision of needed transportation projects.

## Texas House Bill HB3588: Omnibus Transportation Bill

HB 3588 was adopted June 2003, establishing a framework for broadening the application of tolling across the state as well as establishing a funding mechanism for supporting the broader use of tolls in the state's transportation system. The primary items of HB 3588 as they relate to this study include:

- Establishment of the Trans-Texas Corridor;

- Establishment of guidelines for the creation of Regional Mobility Authorities (RMA);

- Provision for the use of public-private partnerships through the use of comprehensive development agreements;

- Creation of the Transportation Mobility Fund to provide toll equity money for new toll projects, with an annual dedicated revenue of $250 million;

- Advanced right-of-way acquisition opportunities; and

- Ability to place tolls on non-tolled roads (conversion).

In addition, the Texas Transportation Commission established a policy directive requiring that all new highway projects be assessed with regard to the ability and level of funding

that could be achieved from tolling. This directive has essentially put all Texas DOT District Engineers into the business of assessing the use of toll roads with the Texas Transportation Commission acting as the governing body.

## Florida's Toll Industry

Florida's toll industry is varied, offering a number of ways of conducting the business of planning, designing, constructing, and operating toll facilities. The Florida "approach" came together over a long period of time through a series of actions and decisions, including:

- **Statewide system perspective –** Florida's Turnpike –today referred to as the Florida Turnpike Enterprise (FTE) – was created in the late 1950s to provide a limited access roadway that connected central and southern Florida. FTE has shown continued evolution to meet the needs of the state – serving as both Florida's "mainstreet" and its leader in innovative transportation practices and the incubator for change in delivering transportation systems. FTE continues to stress delivery of highway systems along with enhancement of service to its customers through the convenience of electronic payment systems. FTE's successful marketing of their signature "SunPass" transponder serves as a model to all toll agencies. While significant growth and expansion are the norm for FTE, so is continued improvement in their financial standing, as evidenced by continued high ratings from the bond market.

- **Regional systems perspective –** Regional Expressway Authorities began in the 1960s as regional leaders saw the need and opportunity to enhance their quality of life and economic opportunities through toll roads. This approach continues today, over 40 years since the initial efforts by the Orlando-Orange County region. Today's regional toll authorities include systems operated by the Orlando-Orange County Expressway Authority, the Miami-Dade Expressway Authority, and the Tampa-Hillsborough Expressway Authority.

- **Local, stand-alone project perspective –** The enactment of local bills in the Florida Legislature has allowed creation of authorities with specific project purposes. Local tollway authorities have become more prominent since the early 1990s. These authorities often serve to provide connections for specific, significant needs. They can exist under the umbrella of a county government or as an independent board. These have largely consisted of toll-bridge authorities, such as the Mid-Bay Bridge Authority in Okaloosa County and the Garcon Bridge Authority in Santa Rosa County.

Florida's toll industry continues to evolve to meet statewide and regional needs for improved transportation. Florida's flexible implementation options have been created to meet the continued demand for growth in the State.

## Virginia's Public-Private Initiatives

Virginia's recent tolling approach includes development of the "public-private transportation act," or PPTA. The PPTA, initiated in 1995, allows private entities to enter into agreements to construct, improve, maintain, and operate transportation facilities. Virginia has not developed a statewide tolling or turnpike authority and there appears to be no movement in that direction. However, the Virginia Department of Transportation (VDOT) has created two special divisions within the Department to review and manage the PPTA program.

The precursor to Virginia's PPTA was development of the Dulles Greenway, a privately owned toll road in northern Virginia. The Dulles Greenway was created prior to the 1995 PPTA and is not subject to oversight by the Virginia Department of Transportation]. Oversight of the Dulles Greenway is provided through the Virginia State Corporation Commission. Seeing the need to enhance upon the approach used to develop the Dulles Greenway and give the state of Virginia more control over the development of publicly accessed highways, the PPTA act of 1995 was passed.

The following observations can be made of Virginia's toll road experiences since passage of the PPTA:

- The state has received 43 unsolicited proposals (through August 2005) and VDOT has issued one RFP for a public-private project. However, only one PPTA project, the Pocahantas Parkway has been developed and opened to traffic to date. It should be noted that the Pocahantas Parkway project has had financial difficulties due to slow growth in traffic demand. Eight additional proposals have resulted in comprehensive development agreements with a total value of approximately $2 billion (August 2005).

- PPTA proposals submitted to VDOT during the early years of the program were proposals to use VDOT's state and Federal funds to develop and construct toll projects that required additional funds beyond those generated by toll revenues. After acceptance by the state, state funds were essentially earmarked to the specific PPTA project, preventing the use of the earmarked state funds on other VDOT projects.

- A noticeable change in the nature of PPTA submittals has occurred in the past year as private sector teams are starting to include international tollway and financial firms in partnership with U.S. firms. This is consistent with the public-private activities noted in Texas.

- There currently are six PPTA proposals under consideration and review by VDOT (August 2005).

# Overview of Organizational Models

## Introduction

Tolling entities share common functions: they charge user fees (i.e., tolls), to help finance debt associated with facility construction, operation/management, expansion, and major rehabilitation; and, providing opportunities for enhanced traffic management. While they share common defining functions, tolling entities follow different organizational models. Tolling organizations are sometimes differentiated by their transportation function (e.g., turnpikes that traverse a state, urban expressway systems that connect commuters to an urban core, and urban bridge structures that provide access to and from urban centers and for trade routes). For the purposes of this working paper, tolling entities are described by their governance and structural form rather than by function.

The broad organizational categories described previously can be further divided into six organizational types:

1. **State-level independent public toll authorities –** Independent state agencies established to build and/or operate a comprehensive facility and/or system of toll roads.

2. **State DOT-sponsored and operated toll entities –** Subunits of state DOTs or other state agencies (with varying levels of autonomy) that are charged with building and operating a toll facility or system.

3. **Regional-level independent public toll authorities –** Independent authorities established to construct and/or operate a toll facility, via a combination of state legislation and local mandate.

4. **Local agency-sponsored and operated toll entities –** Subunits of city or county governments that are charged with constructing and/or operating a toll facility or system.

5. **Multipurpose independent public authorities –** Authorities that construct, manage, or operate toll facilities along with other public infrastructure (e.g., port authorities).

6. **Public-private ventures –** Private organizations that build and/or operate a toll facility, generally through various forms of public-private partnership with the state or local jurisdiction. While there are a limited number of active 100 percent private facilities, particularly for bridges, this is not the focus of this paper. Public-private ventures, or partnerships, that are being formed and allowed in the U.S. report to an agency/organization that represents the public good. Public-private toll road ventures are different from purely public ones in that a private entity typically builds and/or operates the facility. It is also possible that the private entity have responsibility for operation and maintenance of the facility.

While the construction and operation/maintenance of facilities built via a public-private partnership model may fall under private interests – most likely the investors – the government will likely need to ensure that the private partners are living up to their end of the bargain. Thus, the public sector's role shifts from one of direct governance to regulation and oversight. The effects of public-private ventures on an existing transportation organization vary with the level of expertise available on-staff. There must be recognition that conducting business in a public-private partnership, even in an oversight role, requires the financial and engineering expertise of the agency to be on par with the private sector's team. One aspect of the public-private partnership that must be carefully considered is assigning roles between the public and private sectors. From a financial management perspective, the private sector prefers to have the authority to manage the facility on a daily basis without direct, hands-on involvement from the public sector sponsor. This does not eliminate the negotiation of specific operational performance and financial terms and conditions to protect the public users and public sponsor.

As with the governance options, this role may be performed at a state- or local-level depending on the nature of the facility and the sponsoring agency. It could also be performed by an existing or newly formed regulatory body, as well as an existing policy-making board. Thus, the public agency/organization typically falls under one of the categories outlined above.

For purposes of the Washington Tolling Study, the organizational categories associated with Local Agency-sponsored/operated Toll Authorities and Multipurpose Independent Public Authorities are not addressed within this Working Paper.

No rules exist for how a tolling entity should be organized and operated, although three considerations tend to drive both organizational structure and agency (or sub-agency) management:

1. **Mission and responsibilities –** The organizational structure must be consistent with anticipated functions and objectives of the entity;

2. **Type of facility –** The nature of the facility or system (e.g., single bridge or highway structure, cross-state thruway, urban commuter route) can influence the selection of governance and management structure; and

3. **Legal barriers and requirements –** Laws, constitutional provisions, and current policies and regulations that may drive the selection of some organizational options over others.

These considerations influence nearly every decision about the organizational structure, governance, financial policies, institutional relationships, and responsibilities of a tolling entity. These are discussed further below.

## Governance Requirements

The governance of public toll entities is typically split between a policy-making body and a chief executive. Policy-making bodies for public toll entities take many different forms and have varying responsibilities, but are typically multi-member boards responsible for strategic-level decision-making and oversight of the toll authority. Structural options for policy-making bodies are identified in Table 1.

Similarly, toll entity chief executives typically report to the agency's governing body (i.e., the policy body), but also may be selected and/or accountable to a jurisdiction's elected executive (and, in some instances, legislative body). Specific options for selecting tolling entity chief executives are identified in Table 2.

## Table 1. Tolling Entity Governing Bodies

| Organizational Type | New Independent Board | Existing Independent Board | Other Governance Options |
|---|---|---|---|
| State-level independent authority | Members selected by governor/ approved by legislature to govern new toll entity | Transportation commission or other existing board governs new tolling entity | |
| State-DOT tolling entity | Typically governed by existing Transportation Boards or Commissions | Transportation commission or other existing board governs new tolling entity | |
| Local-level independent authority | Members selected by governor and/or mayor, city council, or county commissioner(s) | Established local authority assumes governance responsibilities | County commission or city council governs new tolling entity |
| Existing multipurpose authority | Typically governed by the authority under which the toll organization is created | Established authority assumes governance responsibilities with possible expansion in representation | |

## Table 2. Chief Executive Models

| Organizational Type | Director Selected by Elected Executive | Entity Managed by Existing Executive | Other Director Selections Approaches |
|---|---|---|---|
| State-level independent authority | Governor appoints (legislature may have a confirmation role) | DOT secretary/director serves as toll authority director | Selected by governing body/authority members<br><br>Selected by DOT secretary |
| State-DOT tolling entity | Typically selected by DOT's senior leadership | DOT secretary serves as toll authority director | Selected by DOT secretary |
| Local-level independent authority | Governor, mayor, or county commissioner(s) select | Director of public works or director of existing authority serves as chief executive | Selected by governing body/authority members |

## Financial Requirements

Most tolling entities carry out similar financial roles – they finance construction (generally through debt issuance) and manage the collection of tolls to repay debt and fund maintenance and operations. Financial considerations that influence the selection of the preferred organizational structure for a tolling entity include:

- Anticipated mix of funding sources (100 percent toll-financed, hybrid of public funds and tolls, application to higher-level political jurisdictions for financial support (e.g., Federal credit provisions, state financing authorities, etc.));
- Level of financial support (i.e., guarantee) anticipated from the sponsoring state or jurisdiction;
- Debt issuance limitations and procedures of the sponsoring state and/or jurisdiction;
- Underlying creditworthiness of the sponsoring state and/or jurisdiction;
- Interest in pursuing joint development, facility concessions, etc.;
- Role and potential reach of public oversight commissions, including but not limited to the approval of toll rates; and
- The autonomy of the agency might also impact the financial market's level of comfort with regard to receiving higher bond ratings.

If direct affiliation with the sponsoring jurisdiction is advantageous, a beneficial organizational model is one where the tolling entity is a subunit of an existing agency (e.g., a department within a state DOT). A key issue to consider is the degree of autonomy needed to satisfy investors that political influence is not overriding financial security versus the degree to which integration into the state organization is desirable for management of the state or regional system. A related factor is the extent to which the sponsoring jurisdiction is willing to extend financial support to the tolling entity in the form of financial guarantees and/or direct support. Conversely, to the extent that direct affiliation with the sponsoring jurisdiction is not advantageous, an independent organizational structure may be more appropriate (e.g., an independent public authority). The latter model is not found in its purest form. For example, the North Carolina Turnpike Authority (NCTA), while sponsored legislatively and funded by the North Carolina Department of Transportation (NCDOT), is authorized to have independent staffing, location, and policy Board. However, the NCTA is required to have its annual budget and work program approved by the NCDOT Board of Transportation.

The organizational structure of a tolling entity may affect the availability of non-debt sources for project funding. For instance, it may be easier to commit state funds to a toll project if the tolling entity is part of, or has a close alliance with, the state transportation department. The organizational structure also can determine the taxing capabilities of an entity and, most importantly, the ability of the entity to adjust toll levels to meet debt covenants and/or debt service responsibilities.

## Management and Operational Requirements

As with models for governance and finance, models for management and operations of toll entities vary considerably – from large bureaucracies that mirror state transportation departments in terms of scope and capabilities, to small management organizations that outsource nearly every function of operations, to private industry and/or to the state DOT. In establishing a toll entity, public officials will need to consider two important questions about each major functional area:

- **How are policies, procedures, and rules established?** At one extreme, a new tolling entity could be completely autonomous from other areas of government and have full responsibility for establishing its own rules and procedures. At the other end of the spectrum, an entity could be established as part of an existing agency and simply adopt that organization's operational and administrative framework, including detailed policies and procedures, for example. There also are many options along the spectrum where an agency has autonomy in some operational and administrative areas, but falls under the rules and regulations of an existing organization for others.

- **Who performs functions?** There are essentially three options for who will perform operational and administrative functions: internal forces, personnel from other agencies, or the private sector (i.e., outsourcing).

Table 3 identifies the key operational and administrative areas a tolling entity may be responsible for, gives examples of specific activities performed in these areas, and where applicable, provides comments on organizational or managerial options. Tables 4, 5, and 6 depict a summary of how three different organizational models address the use of in-house and outsourcing to perform these basic functions.

## Table 3. Operational and Administrative Functions Common to Tolling Organizations

| Managerial and Operational Areas | Types of Activities | Comments Regarding Organizational Approaches |
|---|---|---|
| Maintenance | Pavement repair, sign replacement, mowing, snow removal | Geographic extent of toll facility/system influences cost effectiveness of who performs the work |
| Traffic safety/ enforcement | Speed and toll enforcement, truck weight oversight, accident management | State constitution may define who must provide police service |
| Technical services | Planning, design, environmental review, etc. | One-time, periodic demand for services may encourage outsourcing |
| Toll operations | Manual toll collection, automation equipment, electronic payment and backroom financial systems | Outsourcing prevalent for toll collection, particularly automatic collection systems |
| Right-of-way acquisition | Condemnation proceedings, utilities relocation | Only government entities have eminent domain authority, but acquisition activities are frequently outsourced |
| Asset management | Pavement, structures, toll collection facilities, fleet/equipment/building management | Outsourcing of other activities may reduce asset management needs |
| ITS | Traffic operations centers, information kiosks, dispatching emergency vehicles, traveler information systems | Need for coordination with regional ITS operators encourages outsourcing to state, regional government, or private sector |
| Contract management | Oversight and direction of contracted construction, design, systems development, etc. | Outsourcing of other activities may increase importance of this function as an "in-house" activity |
| Procurement | Construction, services, equipment, supplies | State and/or local laws may dictate rules and regulations |
| Legal services | Rulemakings, law suits, condemnation proceedings, legislative support | Some states dictate role of Attorney General with respect to legal matters |
| Human resources | Recruitment, hiring/firing, promotions, training, grievance issues, pay and benefits | State and/or local laws may dictate rules and regulations |

## Table 3. Operational and Administrative Functions Common to Tolling Organizations (continued)

| Managerial and Operational Areas | Types of Activities | Comments Regarding Organizational Approaches |
|---|---|---|
| Managerial and operational areas | Types of activities | Comments regarding organizational approaches |
| Fiscal services | Accounting and audit, financial estimates, payroll, accounts payable | Portions of fiscal services functions commonly outsourced; integration with other state agencies critical |
| Information technology and other support activities | Hardware/software policies, network development and administration, systems development, web site maintenance | Increasingly, this set of functions at least partially outsourced; integration with other state agencies critical |
| Marketing and public affairs | Advertising and promotions, media relations, intergovernmental coordination | Marketing role not typically a core competence for state and local transportation agencies; staff marketing/ communications director utilizes private sector resources. |

## Table 4. Operational and Administrative Functions: In-House and Outsourcing within a State DOT Sponsored Tolling Organization

| Managerial and Operational Areas | Types of Activities | In-House and Outsourcing Comparison |
|---|---|---|
| Maintenance | Pavement repair, sign replacement, mowing, snow removal | Can be in-house or outsourced; primarily in-house activity today; may be supported by sponsoring DOT |
| Traffic safety/ enforcement | Speed and toll enforcement, truck weight oversight, accident management | In-house or sister state agency assigned to the toll facility; not outsourced |
| Technical services | Planning, design, environmental review, etc. | In-house or outsourced; outsource is common with in-house management level staff oversight |
| Toll operations | Manual toll collection, automation equipment, electronic payment and backroom financial systems | In-house or outsourcing are used; outsource is more common and growing in use, particularly enhanced backroom operations |

## Table 4. Operational and Administrative Functions: In-House and Outsourcing within a State DOT Sponsored Tolling Organization (continued)

| Managerial and Operational Areas | Types of Activities | In-House and Outsourcing Comparison |
|---|---|---|
| Right-of-way acquisition | Condemnation proceedings, utilities relocation | In-house or outsourcing are used; in-house staff management of outsource acquisition firms |
| Asset management | Pavement, structures, toll collection facilities, fleet/equipment/building management | In-house with outsourcing of data collection, condition assessment, and system development is common |
| ITS | Traffic operations centers, information kiosks, dispatching emergency vehicles, traveler information systems | In-house more common than outsourcing in these agencies |
| Contract management | Oversight and direction of contracted construction, design, systems development, etc. | In-house and outsourcing is common; project and program management roles often use outsource professionals |
| Procurement | Construction, services, equipment, supplies | In-house; some cases of outsource support here also |
| Legal services | Rulemakings, law suits, condemnation proceedings, legislative support | In-house or from sponsoring DOT staff |
| Human resources | Recruitment, hiring/firing, promotions, training, grievance issues, pay and benefits | In-house with support from sponsoring DOT staff |
| Fiscal services | Accounting and audit, financial estimates, payroll, accounts payable | In-house management with outsource of production items, accounting |
| Information Technology and other support activities | Hardware/software policies, network development and administration, systems development, web site maintenance | In-house, or combination of in-house management and outsource |
| Marketing and public affairs | Advertising and promotions, media relations, intergovernmental coordination | In-house most often with support from sponsoring DOT; some outsourcing for newer agencies |

## Table 5. Operational and Administrative Functions: In-House and Outsourcing within an Independent State-Level Tolling Organization

| Managerial and Operational Areas | Types of Activities | In-House and Outsourcing Comparison |
|---|---|---|
| Maintenance | Pavement repair, sign replacement, mowing, snow removal | Can be in-house or outsourced; primarily in-house activity today |
| Traffic safety/ enforcement | Speed and toll enforcement, truck weight oversight, accident management | In-house or sister state agency assigned to the toll facility; not outsourced |
| Technical services | Planning, design, environmental review, etc. | In-house or outsourced; outsource is common with in-house management level staff oversight |
| Toll operations | Manual toll collection, automation equipment, electronic payment and backroom financial systems | In-house or outsourcing are used; outsource is growing in use, particularly enhanced backroom operations; some areas and existing agencies have labor union issues |
| Right-of-way acquisition | Condemnation proceedings, utilities relocation | In-house or outsourcing are used; in-house staff management of outsource acquisition firms |
| Asset management | Pavement, structures, toll collection facilities, fleet/equipment/building management | In-house with outsourcing of data collection, condition assessment, and system development is common |
| ITS | Traffic operations centers, information kiosks, dispatching emergency vehicles, traveler information systems | Varies with agency size and maturity, but in-house more common than outsourcing in these agencies |
| Contract management | Oversight and direction of contracted construction, design, systems development, etc. | In-house appears most common; limited u se of program management outsource professionals for this |
| Procurement | Construction, services, equipment, supplies | In-house; limited cases of outsource support here also |
| Legal services | Rulemakings, law suits, condemnation proceedings, legislative support | In-house staff |
| Human resources | Recruitment, hiring/firing, promotions, training, grievance issues, pay and benefits | In-house staff |
| Fiscal services | Accounting and audit, financial estimates, payroll, accounts payable | In-house management with outsource of auditing and accounting |

## Table 5. Operational and Administrative Functions: In-House and Outsourcing within an Independent State-Level Tolling Organization (continued)

| Managerial and Operational Areas | Types of Activities | In-House and Outsourcing Comparison |
|---|---|---|
| Information Technology and other support activities | Hardware/software policies, network development and administration, systems development, web site maintenance | In-house, or combination of in-house management and outsource |
| Marketing and public affairs | Advertising and promotions, media relations, intergovernmental coordination | In-house and some outsourcing for newer agencies |

## Table 6. Operational and Administrative Functions: In-House and Outsourcing within an Independent Regional-Level Tolling Organization

| Managerial and Operational Areas | Types of Activities | In-House and Outsourcing Comparison |
|---|---|---|
| Maintenance | Pavement repair, sign replacement, mowing, snow removal | Can be in-house or outsourced; recently moving toward more outsourcing activity |
| Traffic safety/ enforcement | Speed and toll enforcement, truck weight oversight, accident management | Outsource to sister regional or state agency assigned to the toll facility; not outsourced to private sector |
| Technical services | Planning, design, environmental review, etc. | In-house or outsourced; outsource is common with in-house senior management level oversight |
| Toll operations | Manual toll collection, automation equipment, electronic payment and backroom financial systems | In-house or outsourcing are used; outsource is growing in use, particularly enhanced backroom operations. Some areas and existing agencies have labor union issues |
| Right-of-way acquisition | Condemnation proceedings, utilities relocation | In-house or outsourcing are used; in-house staff management of outsource acquisition firms very common |
| Asset management | Pavement, structures, toll collection facilities, fleet/equipment/building management | In-house management with outsourcing of data collection, condition assessment, and system development is common. |

## Table 6. Operational and Administrative Functions: In-House and Outsourcing within an Independent Regional-Level Tolling Organization (continued)

| Managerial and Operational Areas | Types of Activities | In-House and Outsourcing Comparison |
|---|---|---|
| ITS | Traffic operations centers, information kiosks, dispatching emergency vehicles, traveler information systems | Varies with agency size and maturity, but in-house management with outsourcing of operations is growing |
| Contract management | Oversight and direction of contracted construction, design, systems development, etc. | In-house appears most common; growing u se of program management outsource professionals for this |
| Procurement | Construction, services, equipment, supplies | In-house with outsource support here also |
| Legal services | Rulemakings, law suits, condemnation proceedings, legislative support | In-house staff counsel with outsourcing for needed support |
| Human resources | Recruitment, hiring/firing, promotions, training, grievance issues, pay and benefits | In-house staff |
| Fiscal services | Accounting and audit, financial estimates, payroll, accounts payable | In-house management and CFO with outsource of auditing and accounting support |
| Information Technology and other support activities | Hardware/software policies, network development and administration, systems development, web site maintenance | In-house, or combination of in-house management and outsource services |
| Marketing and public affairs | Advertising and promotions, media relations, intergovernmental coordination | In-house management/director with outsourcing |

## Organizational and Implementation Lessons Learned

Organizational lessons learned are outlined below.

- The organizational and governance structure must be selected to support the vision, mission, goals, and objectives of the tolling agency.

- While some state-level toll agencies continue to support primarily "mainline" and connected facilities, others are charged with developing regional facilities to address specific transportation capacity and traffic management needs. This is the case in Colorado and North Carolina where these new authorities have clear directives to address regional needs rather than to develop a "statewide" turnpike facility.

- Other states have created the ability for local and regional decision-makers to develop independent authorities to address local needs. Florida, Texas, and others have taken this approach. This puts local support of specific projects into the forefront. It also allows for a greater regional base for financial participation and investment, as well as governance models.

- The use of "outsourcing" for multiple elements of the tolling agency's organization, project/program delivery, and operation continues to grow. Outsourcing utilizes private sector performance, flexibility, and efficiencies to support of a more streamlined public sector management team. Florida and Texas are two states that are utilizing the outsourcing approach to achieve faster program delivery and more efficient operations.

- The potential use of public-private partnerships requires enhanced skills in several areas (financial, project delivery, for example). Therefore, an agency's organizational structure should consider the potential for public-private partnership models. Those enhanced skills are needed to support specific methods of advertising, reviewing, and approving both solicited and unsolicited proposals for public-private partnerships and concession agreements for transportation projects. Without the proper support of technical, financial, and policy expertise, agencies at all levels of government may not be prepared to successfully perform the financial and engineering negotiations required to assess the overall viability of potential public-private project opportunities.

## Summary

The ultimate question with respect to organization and governance is often, "can an existing agency/organization, transportation or otherwise, perform in a more business-like manner as required by the toll industry?" While traditional transportation agencies are adept at managing large-scale transportation programs, their organizations may not be structured to respond quickly to daily changes and the varied demands of customers of a toll road system.

Recently enacted tolling organizations have selected an organization and governance model that allows the merging of strengths from an existing multipurpose transportation agency alongside a new organization focused solely on tolling opportunities. The reasons for selecting this approach have included:

- The desire to use available technical resources from an existing agency rather than create duplicate capabilities. In this manner, only tolling-specific skills need to be added within the new organization.

- The desire to develop greater synergy in integrating long range goals and transportation system improvements.

- The desire to have greater control from a centralized transportation agency rather than a more independent agency, whether statewide or regional in nature.

- Providing a means of funding start-up activities, from administrative to project feasibility assessment.

The most current trend for startup tolling agencies also includes the use of outsourcing for general tolling expertise and support. Outsourcing for special tolling skills also supports the need for a streamlined, flexible product delivery and customer service approach. This approach supports the continued implementation and updating of challenging technology advances.

However, one size does not fit all. Thus the best organization model for a new toll agency is one that meets the stated vision and mission of the agency while providing customer and production services in the most efficient manner. As Washington State considers the best governance and organizational approach, discussion of these measures will be conducted to assure the best approach is considered and selected. These discussions and assessment of Washington State's vision for a tolling agency will be documented in later reports.

Tables 7, 8, and 9 present a summary of operational characteristics for representative organizational models that were identified in previous sections.

## Table 7. DOT-Sponsored Model Examples

| Organizational Issue | Texas Turnpike Authority (TTA) | Florida Turnpike Enterprise (FTE) |
|---|---|---|
| Governing board | Texas Trans. Commission | FDOT Secretary/Commission |
| CEO selection | Texas Trans Commission | FDOT Secretary/Commission |
| Admin. procedures | Follows TxDOT policies and procedures | Follows FDOT policies and procedures |
| Debt authority | TxDOT and Texas Trans Commission | Florida Division of Bond Finance issues debt |
| Financial partnership | TxDOT funding eligible for toll roads | DOT funds available under certain conditions |
| Support services | Use TxDOT resources, internal staff, and outsourcing | Use FDOT resources, internal staff, and outsourcing |
| Project selection | Texas Trans Commission | Internal with Commission approval |
| Physical location | Co-located w/TxDOT | Separate |

## Table 8. Regional-Level Independent Model Examples

| Organizational Issue | Orlando-Orange County Expressway Authority (OOCEA) | North Texas Tollway Authority (NTTA) |
|---|---|---|
| Governing board | Appointed Board 3) plus Elected official and FDOT District representative | Appointed Board |
| CEO selection | Selected by Board | Selected by Board |
| Admin. procedures | Independent | Independent |
| Debt authority | Issues own debt | Statutory, Board approval required |
| Financial partnership | FDOT, public and private partnerships | TxDOT, local public entity partnerships |
| Support services | Internal staff and outsourcing | Internal staff and outsourcing |
| Project selection | Internal; consistent with MPO plan | Internal; consistent with MPO plan |
| Physical location | Independent offices | Independent offices |

## Table 9. State-Level Independent Model Examples

| Organizational Issue | Pennsylvania Turnpike Commission (PTC) | Illinois State Toll Highway Authority (ISTHA) |
|---|---|---|
| Governing board | Independent Board appointed by Governor and State Senate | Independent Board appointed by Governor and State Senate |
| CEO selection | Selected by PTC Board | Selected by Governor and Board |
| Admin. procedures | Independent | Independent, with assistance by State Contract Management Services agency on major procurements |
| Debt authority | Self-authorized | Self-authorized via statute |
| Financial partnership | Use of State and Federal funds allowed | Toll revenues only, no mix with state or Federal funding |
| Support services | Internal; some outsourcing | Internal, some outsourcing of services such as VES and toll system maintenance |
| Project selection | Independent; directed by Legislative action | Independent on existing system; extensions or new routes by Legislative approval |
| Physical location | Independent offices | Independent offices |

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